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# ANNUAL REPORT

FOR  
FISCAL  
YEAR

# 1977

THE COMMONWEALTH OF MASSACHUSETTS  
DIVISION OF EMPLOYMENT SECURITY

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2. Continued Economic Improvement

The upward trend in the economy of the Commonwealth which began in the previous fiscal year continued in 1977. This was reflected both in record high levels of employment during several months, and in a notable decline in the number of persons receiving unemployment benefits. The improvement, however, is clearly not as great as would appear solely from published rates of unemployment, as is explained in more detail below. It is nevertheless impressive and gratifying.

3. Measuring The Rate Of Unemployment

THE COMMONWEALTH OF MASSACHUSETTS  
DIVISION OF EMPLOYMENT SECURITY

The Division of Employment Security is charged with the task of determining the rate of unemployment in the Commonwealth. It is unfortunate, however, that available methods for determining the rate are not sufficiently precise and available. The monthly rate is determined by this Division in accordance with a formula required by the Bureau of Labor Statistics. After the end of the year, the rate is adjusted to conform to a rate computed by the Bureau through a national household survey. This adjustment may be substantial in some years, and it may be either up or down. In part of fiscal 1976, the formula rates for the Commonwealth were high, and required downward adjustments. These adjustments are both difficult and embarrassing to explain, and they occasion inquiries as to the distribution of federal funds. Whether the rate of unemployment is a factor. We have conducted extensive negotiations with federal officials in attempting to resolve this problem, but no acceptable solution has yet been institutional.

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Fiscal Year Ending June 30, 1977

A more reliable method, used for special program purposes, is the rate of insured unemployment. This has been on a gradual but steady decline. By year end, it had declined almost to the level which would authorize the program of extended unemployment benefits which was in effect since October 1973.

4. Financing Benefit Cost

The improvement in the level of employment throughout the state had a dual favorable impact on the problem of the adequacy of our unemployment insurance fund. Income insurance as well as workers were added to taxable payroll, and benefit payments increased as job opportunities became more plentiful. In consequence, for the first time in three years, we were able to continue benefit payments without the need for a special assessment.

John D. Crosier, Director



I.

HIGHLIGHTS, FISCAL YEAR 1977

A. Continued Economic Improvement

The upward trend in the economy of the commonwealth which began in the previous fiscal year continued in 1977. This was reflected both in record high levels of employment during several months, and in a notable decline in the number of persons receiving unemployment benefits. The improvement, however, is clearly not as great as would appear solely from published rates of unemployment, as is explained in more detail below. It is nevertheless impressive and gratifying.

B. Measuring The Rate Of Unemployment

The rate of unemployment is widely regarded as a leading economic indicator, and attracts considerable attention as it is computed and announced each month. It is unfortunate, however, that available methods for determining the rate are not sufficiently precise and reliable. The monthly rate is determined by this division in accordance with a formula required by the Bureau of Labor Statistics. After the end of the year, the rate is adjusted to conform to a rate computed by the Bureau through a national household survey. This adjustment may be substantial in some years, and it may be either up or down. In part of fiscal 1976, the formula rates for Massachusetts were clearly too high, and required downward adjustment. During fiscal 1977, the reverse has been true. These discrepancies are both difficult and embarrassing to explain, and they occasion inequities in the distribution of federal funds whenever the rate of unemployment is a factor. We have conducted extensive negotiations with federal officials in attempting to resolve this problem, but no acceptable solution has yet been instituted.

A more reliable measure, used for special program purposes, is the rate of insured unemployment. This has been on a gradual but steady downtrend. By year end, it had declined almost to the level which would terminate the program of extended unemployment benefits which had been in effect since October 1970.

C. Financing Benefit Cost

The improvement in the level of employment throughout the state had a dual favorable impact on the problem of the adequacy of our unemployment insurance fund. Income increased as more workers were added to taxable payrolls, and benefit payments decreased as job opportunities became more plentiful. In consequence, for the first time in three years, we were able to continue benefit payments without borrowing federal funds.

Our federal debt, however, remains at \$265,000,000. We have conducted extensive negotiations with employer representatives, officials of the administration, and legislative leaders on the matter of repaying this debt and restoring the solvency of the fund. It is our objective to agree on a financing mechanism which will be adequate to begin building reserve funds to a proper level without imposing on employers a total tax burden which might prove excessive and therefore counter-productive. We expect that legislation to accomplish this will be filed in the next fiscal year.

D. Management By Objective

Application of the system of management by objectives was expanded and intensified during the year. A key element here was the effort to improve our management information system and to provide more effective financial and management controls. For this purpose there were several changes in organizational structure and personnel assignments, the principal feature of which was the establishment of the new position of Comptroller.

E. Improved EDP Capacity

The first major step in our installation of a new large scale computer system was taken in January, with the delivery of a new computer, a Univac 1100/42. Feeding to and from this, we must move next to establish an adequate network for communication with all our offices throughout the state, with new and more sophisticated terminals to be installed in each location. We are about to start the process for procuring this communication system, to be installed in the next fiscal year. The first major applications will be the computerized tax and job match systems, which are in the final stages of development. An improved claims and payment system, on which much work remains to be done, will be installed later.



## II.

## JOB SERVICE

### A. Increased Placement Results

Improved productivity of placement staff in our local offices resulted in accomplishment consistently higher than in the previous year. There was a 3% increase in the number of individuals placed, with varying but broadly comparable degrees of increase for such special groups as veterans, members of minority groups, youth, older workers, women, and handicapped persons. There was also a 10% increase in the number of unemployment benefit recipients for whom we found jobs, the total exceeding 20,000. The greatly expanded Trade Act program resulted in considerable increase in the counseling, training, and job placement service to affected workers.

### B. Job Service Improvement Program

During the year, we placed major emphasis on JSIP - Job Service Improvement Program. This is a multi-faceted effort to improve our delivery of service, to increase our capacity for service, and to create a more favorable environment for service.

The Secretary of Economic Affairs has appointed a committee to study the organization and operation of our job service. Membership includes all interests served by the division - the business community, labor, education, the general public. The committee report and recommendations, to be submitted in the next fiscal year, are expected to be critical to the success of the JSIP effort.

At the local office level, a broadly parallel course has been followed. In many areas, an employer advisory committee has been appointed, with the objective of making the service more responsive to employer needs. This in turn would benefit our applicants, for whom more jobs, with a broader range of opportunity, would be expected. In some areas, in lieu of a new advisory group, closer liaison has been developed with the chamber of commerce, or a management association, or some similar organization.

Study of the location and size of our local offices, and the premises themselves, has disclosed a great need for change and improvement. Within the limits allowed by the budget, we have moved some offices to better locations, with more suitable facilities and more attractive appearance.. We have opened a number of additional offices, usually "mini-offices" with a very small staff. Our objective has been to make our service more readily accessible to applicants, in the expectation that it would thereby become more effective overall. The greater geographic dispersion will also facilitate compliance with court orders for equity of service to rural applicants and migrant and seasonal farm workers.

Our nascent computerized job matching system had reached the stage of final testing by the end of the year. Actual operation will begin early in the next fiscal year, with the initial installation in our Southeast Region. This system is designed for faster and better matching of applicant qualifications with employer hiring needs. Since it will provide overnight service, it promises to contribute materially to the effectiveness of our performance in helping to fill available jobs.

C. Work Incentive Program

The Work Incentive (WIN) program continued its effective performance. More than 9,000 registrants obtained jobs. Over 1,000 were enrolled in classroom skill training. Nearly 2,500 found training and employment opportunities in the expanded CETA and other non-WIN funded programs. Approximately 1,000 were hired in on-job training positions, long one of the most effective devices in WIN to end welfare dependency. During the Feb-June period, over 2,600 unemployed fathers in the AFDC caseload were placed in private sector jobs. Estimated welfare costs saved during the year as a result of WIN performance were well over \$13,000,000.

D. Participation in Expanded PSE Program

The expansion of the Public Service Employment Program under Title VI of CETA required closer and more extensive cooperation with the several prime sponsors throughout the state. Our efforts were concentrated on outreach and recruitment for PSE positions of veterans, recipients of AFDC, and long-term unemployment insurance claimants. Outreach to disabled veterans and Vietnam-era veterans was facilitated by additional funding which enabled us to hire disabled veterans for this specific purpose.



### III.

### UNEMPLOYMENT INSURANCE SERVICE

#### A. Reduction In Workload Levels

Over the year, there was a sharp decline in the level of claims and payments. Including all the federally-funded programs, the drop was approximately 40%. Under our regular state program, by year end continued claims were at the lowest level since June 1973, and down 17% since the start of the year.

The decline noted above was especially evident in the Federal Supplementary Benefits (FSB) program. When the rate of insured unemployment dropped below 6% in October, the entitlement of claimants was halved, to a maximum of thirteen weeks of benefits. Although the rate again rose seasonally during the winter, Congressional action in April ended the earlier maximum of twenty-six weeks of FSB entitlement, and allowed no new claims for any week ending after October 31, 1977. The prospect is that the program will terminate even earlier in Massachusetts, since the rate of insured unemployment is steadily approaching the level of 5%, below which FSB will "trigger-off".

On the other hand, there was a substantial increase in activity under the federal Trade Act, which provides special benefits for workers whose unemployment is attributed to importation of foreign products. The number of approved petitions tripled over the past year, and payments have reached a level of 17,000 per month. There has been a notable improvement in the speed of payment, as the result of our decentralizing this process to our local claims offices.

#### B. Performance Criteria

For measuring the adequacy of agency performance in the unemployment insurance program, the Secretary of Labor has established various criteria for timeliness of service. Two of the principal standards relate to the time required to issue first payments on claims, and the time between the filing of an appeal and the issuance of the decision on such appeal. In both respects, division performance has improved notably during the year. First payments on intrastate claims were consistently above the standard. On the more cumbersome interstate claims, the rate of promptness of payment increased steadily, until it exceeded the standard by the end of the year. The same was true in the disposition of appeals, to the extent that we received a written commendation from the Unemployment Insurance Administrator of the Department of Labor.



### C. Qualitative Improvements

Increased emphasis was placed throughout the year on methods to improve the quality of performance in the unemployment insurance program. The continued eligibility of claimants was scrutinized more closely through a strengthening of the system of periodic reinterviews and checking on the claimants' own search for work. More vigorous efforts were made to match the qualifications of claimants to positions available on Job Bank, or in the expanding program of Public Service Employment under CETA. Tighter standards of eligibility for Federal Supplementary Benefits were enacted by Congress early in 1977, and were promptly applied here.

In an attempt to improve the quality of claims adjudication, changes were made in the content and methodology of the training program for new adjudicators. More systematic provision was made also for refresher training of experienced adjudicators.

Better coordination was established between the central data processing installation and the local claims offices. This resulted in part from organizational changes, and in part from changes in the data entry process. The latter was a major factor in the improvement in the speed and precision of our processing of interstate claims.

### D. Computerized Tax System

Progress has been slower than expected in development of a new on-line tax system. Slippage has been due in part to inability to obtain timely assistance from a federally-operated design center in another state. Personnel shortages in our systems and programming units have also caused delay. Despite this, a large part of the developmental work has been completed on Phase I. Operation, originally planned for July 1, 1977, will probably begin about mid-August.

### E. New Legislation

In Chapter 473, Acts of 1976, substantial changes were made in the Employment Security Law, with six different effective dates. This required a massive effort during the latter part of the year to modify our procedures and forms, retrain our personnel, and inform the general public. It was also necessary to amend our Regulations, particularly those relating to the appeals process, which has been materially altered by C. 473.

Concurrently, we began the major task of drafting new legislation and developing plans to meet the new federal requirements enacted by Congress in Public Law 94-566. The principal impact will be the extension of unemployment insurance coverage, beginning in 1978, to



virtually all employees of state and local government. Employees of non-profit primary and secondary schools will also be covered, as well as certain agricultural and domestic workers. The other major effect will be an increase in the taxable wage base. This will become the first \$6,000 of wages paid each employee during the year, whereas the present base is \$4,200.